

Message Text

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ACTION EA-13

INFO OCT-01 SS-14 ISO-00 NSC-07 NSCE-00 CIAE-00 INR-10

NSAE-00 RSC-01 SPC-01 L-02 PM-03 DODE-00 EB-03 TRSE-00

ACDA-10 DRC-01 COME-00 OMB-01 AID-10 CIEP-01 H-01

STR-01 VO-01 AGR-03 /084 W
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R 010416Z APR 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 2332

INFO CINCPAC

S E C R E T SECTION 1 OF 2 MANILA 3768

LIMDIS

E O 11652: GDS

TAGS: EGEN, PFOR, MASS, RP

SUBJ: FORTHCOMING US-GOP NEGOTIATIONS

1. SUMMARY: ON MARCH 28 AND 29, I SPENT SEVERAL HOURS WITH PRESIDENT MARCOS DISCUSSING US-PHIL NEGOTIATIONS ON MILITARY AND ECONOMIC MATTERS. DISCUSSIONS WERE DELIBERATELY CONFIGURED BY PRESIDENT IN CONTEXT OF INFORMAL FAMILY OUTING IN WHICH MY WIFE AND I ACCOMPANIED PRESIDENT, MRS. MARCOS, AND DAUGHTER IMEE ON OVERNIGHT YACHT TRIP INTERSPERSED WITH SWIMMING, PELOTA GAMES, FISHING, ETC. WE COVERED ALL OUTSTANDING ISSUES IN CONSTRUCTIVE FASHION WHICH SUGGESTS THAT WE CAN PROBABLY PROCEED WITH DETAILED NEGOTIATIONS IN ACCORDANCE WITH TIME TABLE I HAVE PREVIOUSLY PROPOSED. MARCOS AND I ARE SCHEDULED TO MEET AGAIN APRIL 2 AND AT LEAST ONCE MORE BEFORE I DEPART FOR WASHINGTON CONSULTATIONS. END SUMMARY.

2. MARCOS OPENED DISCUSSIONS BY REPEATING HIS PREVIOUSLY STATED INTEREST IN A "PACKAGE DEAL", BUT QUICKLY AGREED THAT HE WOULD SETTLE FOR A SERIES OF PARALLEL ARRANGEMENTS WHICH COULD TAKE THE FORM OF TREATIES, EXCHANGES OF NOTES,

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AND OTHER INSTRUMENTS ALL CONCLUDED IN THE SAME TIME FRAME.

HE INDICATED HOPE WE COULD CONCLUDE ALL THESE PRIOR TO JULY 3 SO THAT CERTAIN SYMBOLISM OF A "NEW ERA" CAN BE BUILT INTO EXPIRY DATE OF LAUREL-LANGLEY AGREEMENT. SINCE THE DISCUSSIONS RANGED OVER TWO LONG SITTINGS, I SHALL NOT ATTEMPT TO RECONSTRUCT THEM IN NARRATIVE, BUT SHALL MERELY GIVE THEIR CONCLUSIONS IN OUTLINE FORM. I WISH TO STRESS THAT BOTH OF US TOOK CARE NOT RPT NOT TO GIVE FIRM SANCTION TO ANY OF THESE CONCLUSIONS, SINCE WE BOTH AGREED THAT DISCUSSIONS WERE EXPLORATORY IN NATURE.

3. MILITARY MATTERS.

A. BASE RIGHTS.

(1) U.S. ACCESS TO BASE RIGHTS, AUTHORIZATIONS AND FACILITIES ARRANGEMENTS TO CONTINUE TO BE RENT-FREE. TENURE TO BE DESCRIBED AS CONTERMINOUS WITH MUTUAL DEFENSE TREATY, BUT SUBJECT TO REVIEW AT END OF SPECIFIED PERIOD OF TIME, PROBABLY TEN YEARS. NOTHING TO BE SAID ABOUT RENUNCIATION OR PERIOD OF WITHDRAWAL, SINCE THESE MATTERS WOULD PRESUMABLY BE AMONG ITEMS WHICH MIGHT BE RAISED FOR REVIEW AT END OF TEN-YEAR PERIOD.

(2) US-PHIL BILATERAL PANELS SHOULD BE RECONVENED AND INSTRUCTED TO WORK OUT REMAINING UNRESOLVED ISSUES ON JURISDICTION, CUSTOMS, TAXES, IMMIGRATION, ETC., WHICH ARE STILL PENDING.

(3) U.S. WILL RETURN TO PHIL CONTROL UNSPECIFIED ACRAGE AT CLARK. PHIL WILL PROVIDE US WITH FEE SIMPLE TITLE TO SMALL PARCEL OF LAND AT FORT BONIFACIO, TRANSFER OF WHICH WAS PREVIOUS AGREED.

(4) JOHN HAY CAMP, WHICH IS BEING SOUGHT BY CITY OF BAGUIO, WILL REMAIN AS ONE OF US INSTALLATIONS INCLUDED IN BASE RIGHTS TENURE.

B. PHILIPPINE "SELF-RELIANCE".

CONCEPT BEHIND CONTINUED RENT-FREE USE OF BASES WILL BE
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THAT PHILS WILL, IN MEANTIME, BE DEVELOPING CAPABILITY FOR SELF-RELIANCE IN SECURITY MATTERS. MARCOS ADMITS THIS IS SOMETHING OF A SOPHISTRY, SINCE HE DOES NOT RPT NOT ENVISION A SOUTHEAST ASIAN MILITARY CAPABILITY OUTSIDE A US SECURITY UMBRELLA. HOWEVER, HE CONSIDERS IT PRUDENT, BOTH IN US AND SEA POLITICAL TERMS, TO PREPARE PHILS TO ASSUME AS GREAT A PORTION OF ITS DEFENSE BURDEN AS FEASIBLE. TO THIS END, HE WISHES US ASSURANCES ON SEVERAL MATTERS OF MILITARY ASSISTANCE:

(1) READJUSTMENT OF ARMED FORCES OF PHILIPPINES
"BASE FORCE" STRUCTURE ACCORDED JUSMAG SUPPORT TO CONFORM TO
CURRENTLY EXPANDED SIZE OF AFP.

(2) MODERNIZATION OF PHIL AIR FORCE, TO PROVIDE
BOTH RPT BOTH JET FIGHTER-INTERCEPTOR CAPABILITY AND CLOSE
SUPPORT PROPELLER-DRIVEN AIRCRAFT. THIS INCLUDES A WISTFUL
PLEA FOR ALL-WEATHER INTERCEPTOR, OR "AT LEAST" AN F-5-E
RPT F-5-E SQUADRON.

(3) IMPROVEMENT OF PHIL AIR DEFENSE AND DETECTION
CAPABILITIES IN SOUTHWESTERN QUADRANT, SPECIFICALLY IN THE
AREA FACING BORNEO, WHERE THERE CURRENTLY IS NO RPT NO RADAR
SCREEN.

(4) THE M-16 RIFLE PLANT, ON WHICH I GAVE HIM THE
GOOD NEWS OF WASHINGTON APPROVAL FOR MULTI-YEAR FUNDING, AND
FOR WHICH HE WAS MOST GRATEFUL.

(5) TRAINING IN ROCKETRY AND ROCKET GUIDANCE
SYSTEMS, WITH THE PROVISION TO PHILS OF SOME OBSOLETE ROCKET
MODELS, SUCH AS NIKE, WHICH THEY CAN USE FOR SCHOOLING AND
PRODUCTION MODELS FOR THEIR OWN GUIDANCE SYSTEM WORK (THIS
WAS SUBJECT OF MANILA 1359).

(6) SCREENING OF ALL US WEAPONS SYSTEMS BEING
PHASED OUT AND SCRAPPED TO EXAMINE WHETHER THEY COULD BE
PROVIDED TO PHILS FOR AFP USE, EVEN THOUGH WE CONSIDER THEM
OBSOLETE. HE MENTIONED SHOULDER-FIRED 57MM RECOILLESS
RIFLE AS EXAMPLE, BUT MADE IT CLEAR IT SHOULD EMBRACE
EVERYTHING UP TO AND INCLUDING DE AND LST TYPES.

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C. REVISION OF 1953 MUTUAL DEFENSE ASSISTANCE AGREEMENT.
MARCOS WISHES ELIMINATE ARTICLE 15 OF 1953 AGREEMENT
WHICH RESTRICTS PHILS FROM ACQUIRING MILITARY EQUIPMENT
FROM SOURCES OTHER THAN U.S.

5. ECONOMIC MATTERS.

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ACTION EA-13

INFO OCT-01 ISO-00 SS-20 NSC-07 NSCE-00 CIAE-00 INR-10

NSAE-00 RSC-01 EB-03 COME-00 TRSE-00 AID-10 OMB-01

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VO-01 AGR-03 ACDA-10 /090 W
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R 010416Z APR 74

FM AMEMBASSY MANILA
TO SECSTATE WASHDC 2333
INFO CINCPAC

S E C R E T SECTION 2 OF 2 MANILA 3768

LIMDIS

A. TREATY OF AMITY AND ECONOMIC RELATIONS.

MARCOS WISHES TO REVIEW TEXTUAL PROPOSALS WITH HIS
CABINET COMMITTEE ON SUNDAY, MARCH 31 AND HOPES TO HAVE PHIL
DRAFTING CHANGES TO ME ON TUESDAY, APRIL 2. IN MEANTIME,
HE HAS AGREED IN PRINCIPLE ON FOLLOWING MATTERS:

(1) RETAIL TRADE.

HE WILL ISSUE DECREE AMENDING CURRENT RETAIL TRADE
ACT TO REMOVE THOSE MATTERS OF CONCERN TO US AND OTHER
FOREIGN BUSINESSMEN.

(2) PROPORTIONAL REPRESENTATION ON BOARDS OF
DIRECTORS.

HE WILL ISSUE DECREE OR LETTER OF INSTRUCTION
ASSURING PROPORTIONAL VOTING MEMBERSHIP FOR FOREIGN INVESTORS
IN MINORITY EQUITY POSITIONS UP TO 40 PERCENT OF THE BOARD.

(3) ANTI-DUMMY LAW.

HE WILL AMEND OR OTHERWISE CLARIFY ANTI-DUMMY
PROVISIONS TO PERMIT ENTERPRISES WITH MINORITY OWNERSHIP TO
HIRE FOREIGN NATIONALS WHOSE SKILLS MAY BE NEEDED.

(4) CONTRACTS.

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HE WILL PROVIDE, BY APPROPRIATE MEANS, THAT BUSINESS
CONTRACTS AND LEASES MAY HAVE A VALIDITY PERIOD OF TWENTY-
FIVE YEARS, SUBJECT TO RENEWAL FOR TWENTY-FIVE YEARS MORE.

(HE SAID THE RECENT DEPARTMENT OF JUSTICE OPINION THAT TEN YEARS WAS A "REASONABLE" PERIOD FOR A LEASE COULD BE IGNORED.)

(5) DOUBLE TAXATION.

HE PREFERRED INCLUDING DOUBLE-TAXATION FEATURES (TO BE EXPANDED BEYOND PERSONAL INCOME TAX MATTERS) IN AER RATHER THAN SEEK AMEND DOUBLE TAXATION TREATY ALREADY RATIFIED BY US SENATE BUT SUSPENDED BY PHIL SENATE.

(VISA AND RESIDENCE ISSUE.

HE SAW NO RPT NO PROBLEM WITH VISA AND RESIDENCE PROVISIONS OF US DRAFT, AND IS PREPARED TO GIVE FAVORABLE CONSIDERATION TO FOUR-YEAR MULTIPLE-ENTRY VISAS ON MUTUAL BASIS, SUBJECT TO CONSULATATIONS WITH HIS STAFF.

(7) LAND TITLES.

HE CHARACTERIZED THIS AS MOST DIFFICULT PART OF THE NEGOTIATION, AND BEGGED OFF ANY DEFINITIVE PROPOSALS UNTIL HE COULD HAVE FURTHER DISCUSSIONS WITH HIS STAFF. HE WENT OVER HISTORY OF PROBLEM, DESCRIBED MEETINGS HE HAS BEEN HAVING WITH LEADING FIGURES OUTSIDE HIS IMMEDIATE GOVERNMENT, AND WEIGHED PROS-AND-CONS OF VARIOUS APPROACHES. HE SAID HE EXPECTED TO HAVE SOME CONCRETE PROPOSALS BY APRIL 5 AND, IN ANY EVENT, BEFORE I LEAVE FOR WASHINGTON. HE SEEMS TO BE TOYING WITH THE IDEA OF HANDLING EACH CASE INDIVIDUALLY RATHER THAN MAKING A GENERALIZED SETTLEMENT WHICH WOULD INVOLVE TAKING A POSITION IN PRINCIPLE.

B. TRADE MATTERS.

(1) COCONUT OIL.

HE AGAIN RAISED QUESTION OF US PRESIDENTIAL AUTHORITY TO RECLASSIFY COCONUT OIL FOR TARIFF PURPOSED IN SAME TARIFF EXEMPT CATEGORY AS PALM OIL.

(2) GATT QUESTIONS.

HE SEEMS MORE OR LESS RECONCILED TO HANDLE HARDWOOD VENEERS AND MAYBE ABACA IN CONTEXT OF GATT MULTILATERAL SECRET

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NEGOTIATIONS.

(3) TEXTILES.

HE WISHES TO BRING US-PHIL TEXTILE TRADE, IN BOTH NATURAL AND MAN-MADE FIBRES, UNDER SOME FORMAL REGIME. HE INDICATED WILLINGLESS PARTICIPATE IN ALL-FIBER TEXTILE AGREEMENT (SEE SEPTTEL), AND PRESUMABLY WOULD AGREE TO NEW BILATERAL IF DESIRABLE.

(4) GENERAL SYSTEM OF PREFERENCES.

HE WAS GLUM ABOUT PROSPECTS US WILL HAVE TRADE REFORM BILL IN TIME TO BE OF VALUE, OR, INDEED, WHETHER WE WILL HAVE ONE AT ALL. HE ASKED ABOUT PROSPECTS FOR GSP LEGISLATION OUTSIDE FRAMEWORK OF FRUSTRATED TRADE BILL. HE PROPOSED EXCHANGE OF NOTES CONCERNING BENEFICIARY REGIMES WE WOULD BE PREPARED TO PROVIDE PHILS CONTINGENT UPON ENACTMENT OF GSP LEGISLATION BY US CONGRES.

6. AFTER WE HAD REVIEWED SUBSTANCE OF ALL THESE MATTERS, I INFORMED MARCOS OF MY DESIRE TO COMPLETE CONSULTATIONS IN WASHINGTON DURING LATTER HALF OF APRIL AND HOPED WE COULD HAVE FORMAL NEGOTIATIONG TEAMS MEET EARLY IN MAY. I SPECIFICALLY MENTIONED GEORGE ALDRICH AS A NEGOTIATOR, WHICH PLEASED HIM, AND SAID I DOUBTED WE WOULD HAVE CONGRESSIONAL REPRESENTATION ON OUR TEAM. HE AGREED IN PRINCIPLE TO THIS TIMETABLE, BUT REITERATED THAT HE WANTED THE BASE RIGHTS PANEL TO RESUME ITS WORK AS SOON AS POSSIBLE, WITHOUT WAITING FOR ACTION ON OTHER MATTERS.

7. I SHALL HAVE FURTHER REPORT AFTER MY APRIL 2 MEETING.
SULLIVAN

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